

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016/2017	Business Unit 0235028	Department Governor's Office of Business and Economic Development	Priority No. 001
Budget Request Name 0509-001-BCP-BR-2016-GB		Program CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBANK)	Subprogram 1. BONDS 2. LOANS 3. SMALL BUSINESS FINANCE CENTER

Budget Request Description
 California Infrastructure and Economic Development Bank Workload.

Budget Request Summary

The Governor's Office of Business and Economic Development requests increased reimbursement and corresponding expenditure authority from the California Infrastructure and Economic Development Bank Fund in the amount of \$1.489 million in 2016-17 (\$1.267 million in 2017-18 and ongoing) and 11 permanent positions. The new funding will allow the California Infrastructure and Economic Development Bank to serve the public with its Small Business Finance Center, Bond Programs, and Loan Programs, and the additional staff resources will ensure the appropriate implementation and administration of the numerous existing, new, and expanding programs within the California Infrastructure and Economic Development Bank.

Requires Legislation <input type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.
 FSR SPR Project No. Date:

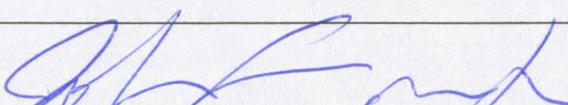
If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Teveia Barnes 	Date 1/05/16	Reviewed By Jenifer Henneke 	Date 1/5/16
Department Director Panorea Avdis 	Date 1/5/16	Agency Secretary	Date

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA 	Date submitted to the Legislature 1/2/16
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Analysis of Problem

A. Budget Request Summary

The Governor's Office of Business and Economic Development (GO-Biz) requests increased reimbursement and corresponding expenditure authority from the California Infrastructure and Economic Development Bank Fund in the amount of \$1.489 million in 2016-17 (\$1.267 million in 2017-18 and ongoing). The new funding will allow the California Infrastructure and Economic Development Bank (IBank) to serve the public with its Small Business Finance Center, Bond Programs, and Loan Programs. To ensure appropriate implementation and administration of the numerous existing, new, and expanding programs, IBank also requests the establishment of 11 permanent positions.

B. Background/History

The IBank was created in 1994 to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy and improve the quality of life in California communities. The IBank operates pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act contained in the California Government Code section 63000 et seq. The IBank is located within the GO-Biz and is governed by a five-member Board of Directors consisting of the Senior Advisor for Jobs and Business Development in the Office of the Governor, the State Treasurer, the Secretary of Transportation, the Director of the Department of Finance and a Governor's Appointee.

The IBank has broad authority to issue tax-exempt and taxable bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage state and federal funds. The IBank's current programs include:

DIRECT LOAN UNIT

- Infrastructure State Revolving Fund (ISRF): The ISRF Program provides low-cost financing to public agencies for a wide variety of infrastructure projects.
- Statewide Energy Efficiency Program (SWEEP): provides low-cost financing to state and local governments for approved energy efficiency projects
- California Lending for Energy and Environmental Needs (CLEEN) Center: encourages public and private investments. Most recently established by the IBank, the CLEEN Center also will utilize IBank's access to capital markets for clean energy and energy efficiency projects. The CLEEN Center will help drive energy related projects for state and local governments in California through the Statewide Energy Efficiency Program (SWEEP).

The funds that support these revolving fund programs (California Infrastructure and Economic Development Bank Fund) are generated with the issuance of revenue bonds in the public market. In 2014, the IBank issued a bond for \$95,960,000 and in 2015 issued a bond for a little over \$90,000,000. The IBank has demonstrated its ability to raise capital to continuously support its direct loan programs.

INFRASTRUCTURE STATE REVOLVING FUND Program

The IBank's loan activity has increased as the California economy is recovering and local public entities now have sufficient revenues to finance infrastructure projects. This is evidenced by the increased number of inquiries and applications staff are required to review. Increasing inquiries demonstrate a strong demand for infrastructure financing. As a result, staff recently issued a new bond to raise needed capital, and is already planning to issue additional new bonds to meet the demonstrated demand.

The staff currently consists of four Staff Loan Officers. There are two dedicated loan officers analyzing all inquiries and underwriting loans that are submitted to the IBank Board of Directors for consideration and approval. on the remaining two loan officers' workload consists of implementing loan agreements, pledging and de-pledging loans, verifying eligibility of monetary disbursements to assure monies are spent on tax exempt improvements, processing loan amendments and modifications, and ensuring compliance of all loans by evaluating annual surveillances throughout the life of the loans. The ISRF manager receives the inquiries for the ISRF program, in addition to marketing and staff management duties. The ISRF program also has one recently hired Associate Governmental Program Analyst (AGPA) that assists the ISRF manager in special projects such as reports and data collection, compliance issues, and is the lead staff on updating and maintaining the unit's internal procedures.

Analysis of Problem

CALIFORNIA LENDING FOR ENERGY AND ENVIRONMENTAL NEEDS

On September 23, 2014, the IBank Board of Directors unanimously approved its Resolution No. 14-14, authorizing the establishment of the Clean Energy Finance Center (Center) and the creation of the Statewide Energy Efficiency Program (SWEEP). In 2015, the Center was renamed to the California Lending for Energy and Environmental Needs Center (CLEEN Center) and on June 23, 2015, the CLEEN Criteria, Priorities and Guidelines for the Selection of Projects (CLEEN Criteria) was posted to IBank's website to receive public comment. On August 25, 2015, the IBank Board of Directors adopted Resolution No. 15-12 adopting the CLEEN Criteria to implement the CLEEN program within the IBank, and to begin financing projects under the CLEEN Criteria. Under this program, IBank is poised to become an essential contributor in protecting California's environment and vast natural resources by offering financing that helps achieve the state's Green House Gas Reduction Goals as announced by Governor Brown in Executive Order B-30-15 (Executive Order). The Executive Order established a new interim California greenhouse gas emission reduction target to reduce greenhouse gas emissions to 40 percent below 1990 levels by 2030 to ensure the state meets its target of reducing greenhouse gas emissions to 80 percent below 1990 levels by 2050.

IBank has no staff dedicated to processing CLEEN loans. To date, various staff from other units (ISRF, Bonds, Small Business Finance Center, the Deputy Director of Compliance, the Deputy Director of Credit, and the Executive Director) have utilized their time to bring this program to fruition. The CLEEN program will offer direct loans which will consequently cause the need to generate more capital by issuing bonds, therefore affecting the workload of all staff of IBank.

With this request for additional staff, the ISRF program will convert into two loan units; the ISRF Unit and the CLEEN Unit. The ISRF Unit will consist of the existing Senior Loan Officer and ISRF staff, and two new Staff Loan Officers. The CLEEN Unit will consist of one new supervising Senior Loan Officer and two new Staff Loan Officers.

BOND UNIT

- 501(c)(3) Revenue Bond Program provides tax-exempt financing to eligible nonprofit public benefit corporations for the acquisition and/or improvement of facilities and capital assets. Typical borrowers include cultural, charitable and recreational organizations, research institutes and other types of organizations that provide public benefits.
- Industrial Development Revenue Bond (IDBs) Program provides tax-exempt financing for qualified manufacturing and processing companies for the construction or acquisition of facilities and equipment. IDBs allow private companies to borrow at low interest rates normally reserved for state and local governmental entities.
- Exempt Facility Revenue Bond Program provides tax-exempt financing for projects that are government-owned or consist of private improvements within publicly-owned facilities, such as private airline improvements at publicly-owned airports.
- Governmental Bond Program provides bond financing to provide financial support for various state entities and programs.
- Issuance of Revenue Bonds provides IBank with the needed capital to fund its ISRF and CLEEN loan programs.

The bond programs, as well as the ISRF program, have successfully generated positive earnings through fees and interest earned. The net earnings for 2013-14 showed an increase over the prior fiscal year of \$3,177,137.

Currently, the Bond Unit is staffed with one Supervising Senior Loan Officer, two Staff Loan Officers, and one AGPA.

This proposal will add one Staff Loan Officer knowledgeable and experienced in energy efficiency programs and applicable financing methods, in order to keep up with demands and provide the necessary expertise for revenue bonds issued to provide the needed capital for the CLEEN program.

Analysis of Problem

SMALL BUSINESS FINANCE CENTER

The Small Business Finance Center has subcategories of programs including the State Small Business Loan Guarantee Program, the Export Financing Program, the Farm Loan Program, and the Disaster Relief for Small Business Program. These programs provide repayment guarantees to lenders for loans to small businesses experiencing difficulty securing financing on their own. Community banks help small business owners finance their plans including expanding operations, purchasing new equipment, and infusing businesses with working capital. These programs are backed by a self-appropriated fund of \$30,000,000 and do not generate an income other than a shared portion of the idle interest earnings generated at the program's Trustee Bank.

The State Small Business Credit Initiative (SSBCI) Program provides repayment guarantees to lenders of loans to small businesses experiencing difficulty securing financing on their own. Community banks help small business owners finance their plans including expanding operations, purchasing new equipment and infusing businesses with working capital. This program is backed by an allocation of \$84,000,000 from the U.S. Treasury as a result of the Small Business Jobs Act of 2010. The funds will become the property of IBank for continued use in its Small Business Loan Guarantee Program once the initial allocation of funds have been obligated to guarantees, and has past the date of March 31, 2017. The funds do not generate an income for IBank other than a shared portion of the idle interest earnings generated at the program's Trustee Bank. However, it does allow for the reimbursement of allowable administrative expenses for which the IBank has a little over \$1,000,000 remaining in the fund.

SMALL BUSINESS LOAN GUARANTEE PROGRAM

The California Corporations Code 14000 et seq. created the Small Business Financial Development Corporations (FDC's) to assist the State's SBLGP. There are nine (9) FDC's throughout California that act as the State's agent and liaison to local lending communities. The FDC's market, collect documentation, offer technical assistance, issue guarantees, request payouts, and assist in the servicing of accounts for the Small Business Loan Guarantee Program (SBLGP). When a loan guarantee is negotiated by the FDC with a lender, for a borrower's small business loan, the FDC submits the guarantee request to IBank. For the last several years the legislature has allocated \$861,000 for administrative costs incurred by the FDC's related to the work produced for the SBLGP. The FDC's also collect fees related to the loans. Each FDC has an average of four staff members devoted to the SBLGP. IBank's SBLGP staff consists of one Staff Services Manager II (SSM II), one Staff Loan Officer, and one AGPA.

EXPORT FINANCING

The Small Business Finance Center is also in the process of developing an Export Financing Program. This program will offer guarantees on loans to small businesses to assist borrowers in exporting endeavors related to its business. Small businesses and lenders have expressed the need for export programs easier to navigate than the current alternative, which is the U.S. Small Business Association. The program will also assist with technical support to businesses interested in learning about exporting their products. This new program will utilize existing funds available through its state fund, and after 2017, with federal funds. IBank has no staff dedicated to the Export Financing Program. The SBLGP staff have been utilizing their time to develop this program.

This proposal will add one Staff Loan Officer knowledgeable and experienced in applicable financing methods, in order to keep up with demands and provide needed expertise.

Quantification Methodology

The workload for all loan related units within IBank is currently measured by the number of inquiries received and applications processed. Inquiries start the application process and can involve many hours of conversation and preparation for an official application. Not all inquiries and applications result in a reportable product, yet the time expended on each is similar. The measures reported to the Legislature are the final results of those applications which are measured in units and dollars.

Analysis of Problem

COMPLIANCE UNIT

The Chief Compliance Officer is responsible for monitoring and maintaining proper compliance over all divisions of IBank. Since the position is relatively new, criteria, policy and procedures need to be established. Compliance is vital to IBank in order to identify risk, design and implement controls, monitor and report the effectiveness of those controls, resolve business issues, interpret and enforce state and federal regulations, and advise internal and external parties of rules and controls.

Since the Compliance Officer was hired in August of 2014, the focus of compliance has been on the renovation of the SBLGP and the preparation for an audit conducted by the U.S. Treasury on its SBLGP federally funded program. The Compliance Officer has not yet addressed the needs of IBank's direct loan unit, bond unit, or fiscal units.

This proposal will add one AGPA Compliance Associate in order to keep up with the growing demands of IBank's compliance unit. This position is needed even if the present programs stay *status quo* and no other staff is hired.

FISCAL UNIT

The Fiscal Unit has the responsibility to record, post, compile, and report financial information of the IBank in an accurate and timely manner for use by all stakeholders for the purpose of enhancing economic development in California.

The Fiscal Unit records, reconciles, monitors, calculates, and reports on all IBank activities including conduit bond transactions, IBank revenue bond issuances, trustee bank activity, direct loan activity, cash and investments, loan servicing, program invoice processing, and IBank administration. As the programs expand the workload increases in this unit.

The staff consists of one Fiscal Manager, two Senior Accounting Officers, and two part time student assistants. In order to keep up with the demands of the unit an Account Trainee is being requested. This position is needed even if the present programs stay *status quo* and no other staff is hired.

LEGAL AND LEGISLATIVE UNIT

The Legal and Legislative Unit conducts time sensitive reviews for all of its programs. The reviews consist of all stages of loan financing, legal document negotiations, loan document review, bond financing legal documents, as well as legislation research, analysis and tracking. The legal staff is heavily involved in all aspects of the bond issuance and loan processes. Currently the staff consists of one General Counsel and two Attorney III positions. This proposal will add one Attorney I in order to keep up with the demands of the units existing and developing programs.

TECHNICAL RESOURCE SUPPORT CENTER

This proposal will add one Staff Programmer Analyst (Specialist) (SPA) which will be responsible for the development, modification, and support of IBank's information technology projects. The SPA will serve as a technical team member and conduct complex research and analysis in business-technology in support of the complex, high profile application development and maintenance required to support the IBank in delivery of critical program information.

C. State Level Considerations

IBank was created through legislation in the California Government Code section 63000 et seq. for the purpose of the IBank is to promote economic revitalization, future development, and a healthy climate for jobs in California, and to support the efforts of businesses attempting to expand, businesses seeking to relocate to California, and local economic development organizations, public agencies, and new entrepreneurs by dedicating public fiscal resources to confront obstacles and barriers that impede economic growth.

When the legislation was written, it was recognized that existing mechanisms that coordinate federal, state, local, and private financial resources were inadequate to attract and sustain a sufficient level of private investment that is essential to a growing economy. It also stated that California's ability to compete in a global economy depends upon its capacity to implement policies that take maximum advantage of public and private

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resources at the local, regional, state, and national levels. It is the intent of the Legislature to create a mechanism to finance projects needed to implement economic development and job creation and growth management strategies, and to provide a secure and stable funding source for implementation of this act in order to meet critical economic, social, and environmental concerns. The State of California created a financing entity structured with broad authority to issue bonds, provide guarantees, and leverage state and federal funds by using techniques that will target public investment to facilitate economic development. The goal is to produce more private sector jobs with less public sector investment.

The mechanisms for financing public improvements and private job creation strategies provided for in this act are in the public interest, serve a public purpose, and will promote the health, welfare, and safety of the citizens of the state. The public policies and responsibilities of the state, including the aforementioned purposes and functions, cannot be fully obtained without the use of financing assistance and can be most effectively furthered by the creation of the IBank.

The CLEEN Center Business Plan was presented to the IBank Board in February 2015 as an integral part of protecting California's environment and vast natural resources by offering financing that helps achieve the state's greenhouse gas reduction goals. On August 25, 2015, the IBank Board of Directors adopted Resolution No. 15-12, adopting the Criteria, Priorities and Guidelines to implement the CLEEN program within the IBank, and to begin financing projects under the CLEEN criteria. The IBank will enhance the quality of life our state is known for by promoting and stimulating economic growth, creating clean energy jobs, protecting and caring for the environment and revitalizing communities. The Business Plan is supported by the IBank Board, which represents other state agencies, notably the Department of Transportation, Department of Finance, and the State Treasurer's Office.

The Loan Programs posts Board meeting dates and deadline on its website for application submittal to meet those specific dates. It is implied that applications can be finalized within 90 days. It is IBank's policy to do its due diligence to present complete and thorough requests to the board while accommodating the borrowers schedule and implied application processing time of 90 days.

The Bond Programs posts Board meeting dates and deadline on its website for application submittal to meet those specific dates. It is implied that applications can be finalized within 30 days. It is IBank's policy to do its due diligence to present complete and thorough requests to the board while accommodating the borrowers schedule and implied application processing time of 30 days.

The California Small Business Finance Center IBank was created through legislation of the Small Business Financial Assistance Act of 2013 California Government Code sections [63008 – 63088.1]

The Legislature found that small businesses form the core of the California economy and that it is in the interest of the state to increase opportunities for entrepreneurs, the self-employed, and microbusiness and small business owners to have better access to capital and other technical resources. It also noted unemployment in California is a matter of statewide concern requiring concerted public and private action to develop employment opportunities for the disadvantaged, unemployed persons, veterans, and youth. In addition, it is necessary to direct additional capital, general management assistance, business education, and other resources to encourage the development of small business opportunities, particularly for minorities, women, and disabled persons, to alleviate unemployment.

The SBLGP shares a federal allocation as part of the Small Business Jobs Act of 2010, SSBCI, in which California received the largest allocation of all of the states and territories totaling a little over \$168,000,000. The funds used to support guarantees are bound to adherence of the federal statute for the Jobs Act as well as the SSBCI Allocation Agreement, SSBCI Guidelines, SSBCI National Standard for Compliance and Oversight, the SSBCI FAQ, and OMB Circular A-87. The fund is shared with the California Pollution Control Financing Authority (CPCFA), an authority in the State Treasurer's Office (STO). The programs are dependent on each other since the application for the allocation was submitted jointly for California. Funds need to be expended at equal rates in order to meet shared goals for progressive allocations, common audits, and exhaustion of the funds at which point the funds become the property of each state agency. Our success or failure in the programs affect each other's agency. It is in the best interest of both agencies to expend the allocation at a rapid yet even pace, while maintaining proper compliance, in order to achieve the goal of exhausting the fund by January 2017. Without additional staff, IBank cannot achieve this goal and puts STO and IBank programs at risk of failure. STO supports IBank efforts to be efficient and compliant with its federally funded programs.

Analysis of Problem

IBank prides itself on providing quality customer service to its internal and external clients and strives to uphold that important reputation and responsibility. In order to meet the objectives of IBank and the Legislature for all of its programs, it is necessary to maintain compliance while expanding existing and developing programs, which is not possible without additional staff.

D. Justification

DIRECT LOAN UNITS

Changes in the workload

Since 2010, the number of loan inquiries has increased an average of 49 percent per year. The loans approved in 2010-11 and 2011-12 combined was three, whereas the total is 25 in the last two years. ISRF is operating with a small work force compared to the increased activity and responsibility. It is becoming more difficult to keep up with the demand of the programs. One of the direct loan applications takes approximately 90 days to process and has continuous servicing requirements after the loan is granted. As a result of the increased workload, ISRF is often unable to meet reporting requirements to present complete applications to the Board within 90 days, as advertised on its website. The servicing of completed loans has fallen behind as well. The direct loan program has seen a significant increase in approved loans over the last few years in both number of loans and dollar amounts. Continued trajectory is expected as the economy improves.



Although the CLEEN program is still in the early stages of its implementation, IBank has identified 28 eligible projects totaling approximately \$176 million. In addition to the inquiries, there are four potential applicants that would have a combined funding request of approximately \$26.3 million. The criteria of the CLEEN program is similar to that of ISRF. It is anticipated that CLEEN loans will take approximately 90 days to complete. Applications will be highly complex and research based and will require specific expertise in lending in the field of energy efficiency and the environment. The recent Board approval for the CLEEN Center Criteria gives IBank the ability to produce CLEEN loans, for which IBank already has potential deals lined up. As the state continues its efforts to meet the Governor's greenhouse gas reduction goals, the CLEEN program will gain momentum, creating a significantly increased workload.

Solving the Problem

The addition of one SSM II position to the CLEEN Unit will allow the ISRF Unit SSM II to focus on marketing the programs, program development, training, and staff management. The ISRF SSM II is presently involved in every aspect of the day-to-day transactions of the program. Two SSM II's will allow the split of responsibility of the Direct Loans and the CLEEN Center Loans into separate but coordinating units. The addition of four Staff Loan Officers will allow the processing of inquiries and applications, and the servicing of loans to be performed in a timely manner. The additional staff will also allow the units to complete, update, and maintain the overdue procedures and develop its compliance criteria. Presently, two Staff Loan Officers process and service approximately eight inquiries per month. Due to the 90-day processing time and complex analytical process, eight applications is too large a workload for one Loan Officer, therefore creating a backlog of work. This backlog has created situations that IBank has had to turn applications away due to its lack of ability to process them timely. The other two Staff Loan Officers service 91 existing loans (this amount fluctuates based on new

Analysis of Problem

loans coming in and old loans being paid off) on a continuous basis, totaling approximately 45 loans per month. Staff has been unable to keep up with the demand of this workload and has missed deadlines for collecting required documents from borrowers as a result. The addition of four Staff Loan Officers will allow all staff to operate with reasonable workloads, allowing them to achieve required deadlines.

Adverse Impacts

Without additional staff, the Loan unit will continue to be behind on its current workload and will not be able to increase productivity and consequently its revenue stream from fees and interest earned on the loans it produces. The loans generated are pledged to bonds issued to generate revenue to fund future loans. If IBank is unable to generate revenue, it cannot make loans once the funds run out. Improper servicing of loans can cause loss of income to IBank, and have legal ramifications. Errors in loans processing can create situations that result in poor or negative ratings from the Rating Agencies that are evaluating IBank's financial structure. Negative ratings can have an adverse impact on the IBank's credibility and reputation in the municipal loan and bond market. IBank Board members have expressed concerns on not receiving the expected level of loans on a regular basis.

Effect on External Client and Stakeholders

The direct loan clientele are state and local governmental entities including municipalities, universities, schools and hospitals. IBank provides affordable financing to this market, therefore allowing those clients to pass on the cost savings to its customers, the people of California. Low cost financing offered through IBank is an alternative to exhausting other state resources. However, when loans are not available or delayed due to IBank's inability to process them in a timely manner, the cost is put on the client. The cost of delaying the building of a fire station or construction of a cardiac unit in a hospital could create significant monetary costs to that client and its contractors, as well as social costs, having an inadvertent effect on the people of California.

The CLEEN loans are intended to be an integral part of protecting California's environment by offering financing that helps the Governor achieve the state's greenhouse gas reduction goals. The CLEEN program is primed to begin financing projects under its Criteria to allow municipalities, universities, schools and hospitals to become more eco-friendly and energy efficient. Without staff to run the program, IBank will be unable to assist improving the quality of life for the people of California. Inability to successfully produce CLEEN loans will slow the process of our state's mission to promote and stimulate economic growth, create clean energy jobs, protect and care for the environment and revitalize communities.

BOND UNITS

Changes in the workload

Conduit Bonds

The Bond Unit processed 36 bond applications in the last four years, and finalized 26. A single bond transaction typically takes about 30 days to complete, but can take longer. In addition to processing applications, selling and issuing bonds, the Bond Unit is responsible for post-issuance activities including ongoing audits and compliance measures, and the production of quarterly, semi-annual, and annual reports for various interested parties.

Bonds Issued

IBank has adopted new financing programs under the recently created CLEEN Center and anticipates the demand for CLEEN financing will increase the number of bonds issued by IBank. The most recent bond issuance in 2015, pledged to ISRF loans, was completed on schedule, yet took six months to finalize and utilized three ISRF staff and two Bond staff (as well as all of the Executive and Legal staff) at a rate of approximately 300 hours each. The revenue bond in 2014 was for approximately \$96 million and the bond in 2015 was for a little over \$90 million. IBank had not issued a revenue bond in several years before this time. The need to generate revenue is evidence of the increase in loan production. This workload increase is significant to all units in IBank due to the lengthy amount of time, complexity, and detail of the transactions involved. It is expected that IBank will issue two bonds per year, continuously, as programs accelerate.

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Bond activity for financing was double the number produced in 2015 than it was in 2012. In addition, inquiries have been bolstered by press releases that reported IBank received AAA ratings from Fitch Ratings and Standard and Poor's Rating Service related to the IBank Revenue Bond Issuances in 2014 and 2015. Moody's Investor's Services has assigned its rating of Aa1, outlook positive on the IBank's 2015A Revenue Bonds. Issuance of revenue bonds provides IBank with the needed capital to fund its ISRF and CLEEN programs. These superior ratings attract the attention of investors creating a demand for IBank bond issuances to consequently fund more direct lending.

Solving the Problem

The addition of one Staff Loan Officer with environment and energy efficiency expertise will allow the SSM II to focus on marketing the programs, program development, training, write procedures, develop a complicate schedule, prepare for audits, and staff management. The SSM II is presently involved in every aspect of the day-to-day transactions of the program. The additional staff member will allow the SSM II to manage the staff more efficiently and assist the other two present Staff Loan Officers with their duties. Presently, two Staff Loan Officers process and service approximately one bond transaction per month. Due to the 30-day processing time and complex analytical process, this is a realistic workload for two. However, the increased volume on the direct loan side has a direct effect on the bond side. There is an urgent need for Bond staff to become proficient in environment and energy efficiency financial transactions so it can issue bonds on the CLEEN loan portfolio. With 28 CLEEN inquiries and 4 applications pending, the need to issue a bond will be imminent within a few months. The addition of one Staff Loan Officer will allow all staff to operate with reasonable workloads, allowing them to achieve deadlines.

Adverse Impacts

Without additional staff in the Bond Unit it will not be able to keep up with the present and developing demands of the programs. Failure to properly issue and monitor the bonds can result in an inability to raise needed revenues to continue IBank programs. Without additional staff the Bond unit is at risk for improperly servicing its bonds and missing deadlines. The Bond unit missed a deadline in 2014 and failed to file information to the Electronic Municipal Market Access (EMMA) resulting in a penalty requiring IBank to publicly disclose they missed the deadline for the next five years. Missing deadlines and poor servicing may create a negative effect when Rating Agencies are evaluating IBank's financial and operational structure. Any such negative publicity tarnishes the reputation of IBank and the GO-Biz, creating mistrust of government programs. If this proposal is not approved, the adverse impact on the Bond Unit could be negative audit findings, missed deadlines, penalties imposed, loss of positive credit ratings, loss of revenue, as well as adverse legal implications.

Effect on External Client and Stakeholders

The Bond clientele are charitable organizations, organizations that promote social benefits, cultural facilities, municipalities, universities, schools and hospitals, government and public agencies, and manufacturing facilities. IBank provides affordable financing to these markets, therefore allowing those clients to pass on the cost savings to its customers. When bonds are not available or delayed due to IBank's inability to process them in a timely manner, the cost is passed on to the client. The cost of not being able to build or delaying a project for a high school or a water treatment facility could create enormous costs to that client and its contractors, as well as social costs that inadvertently effect the people of California.

SMALL BUSINESS FINANCE CENTER

Changes in the workload

Since the SBLGP began utilizing FDC's as agents of the state to administer portions of its program in the late 1960's, the loan applications were processed at the FDC level and never reviewed by the State except for spot check reviews on an annual basis. When the Program received its SSBCI funding, and strict federal regulations attached to the fund used to support the guarantees, the SBLGP began reviewing each application prior to issuing the guarantee rather than its past practice of only spot checking completed deals on an annual basis. The historical data for this workload reflects a 27 percent increase in application activity in the federal program, while the State programs remain steady over the last three years. In addition, when the program came to IBank under the Governors Reorganization Plan in 2013, the IBank Board of Directors required the SBLGP to create directives and requirements for its programs in order to improve administration. This resulted

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in a requirement that all loan guarantees, state or federal, be submitted to staff for analysis of eligibility, compliance and approval. This change increased the application flow even further with a projected application count of 492 for 2016-17.

Until recently only the SSM II processed and approved applications. In March 2015 an addition was made to the staff by hiring the Staff Loan Officer. Now there are two loan staff members in the SBLGP that process approximately 440 applications per year generated by the nine FDC's. Those applications have a two-step process of a Conditional Approval and a Final Approval involving approximately 880 highly complex analytical processes per year. In addition to the processing of each application, it must also be thoroughly reviewed by management for eligibility and compliance. This means the new Staff Loan Officer processes 880 transactions and the SSM II processes 880 transactions (by reviewing and approving each deal) per year. At the present volume, the SBLGP staff cannot process the applications in a timely manner, and are constantly backlogged on their work. There are numerous other duties associated with the programs including mandated annual site visits to the FDC's, quarterly meetings, training, and annual attendance at FDC Board meetings.

The SSM II should be reviewing and approving the work of the staff; however, since the workload is so great, the manager is forced to process transactions as well. This lack of staffing creates a compliance issue since a separation of duties is mandated by the federal program that dictates a manager cannot approve applications that they also processed. The separation of duties is mandated by the allocation agreement of the Federal funds used to support the guarantees for a multitude of program activity. At present SBLGP is violating that mandate due to lack of personnel.

Other program staff consists of an AGPA responsible for reporting, accounting, and servicing of the guarantee programs. The newest Staff Loan Officer has been working overtime to try to keep up with demands. In addition, the Executive Director and the Chief Compliance Officer have been utilizing their time to support the needs of the SBLGP and help create a separation of duties. The processing of applications expectation is a 24 hour turnaround, yet it is taking weeks to generate approvals since the buildup in applications continues, and the unit gets farther behind in its work. There were no annual site visits conducted in 2014, and to date, only one out of nine conducted in 2015. The Chief Compliance Officer assists the SSM II with responsibilities of conducting internal and external reviews of the FDC work product, therefore neglecting other unit's compliance requirements and again, not properly separating duties.

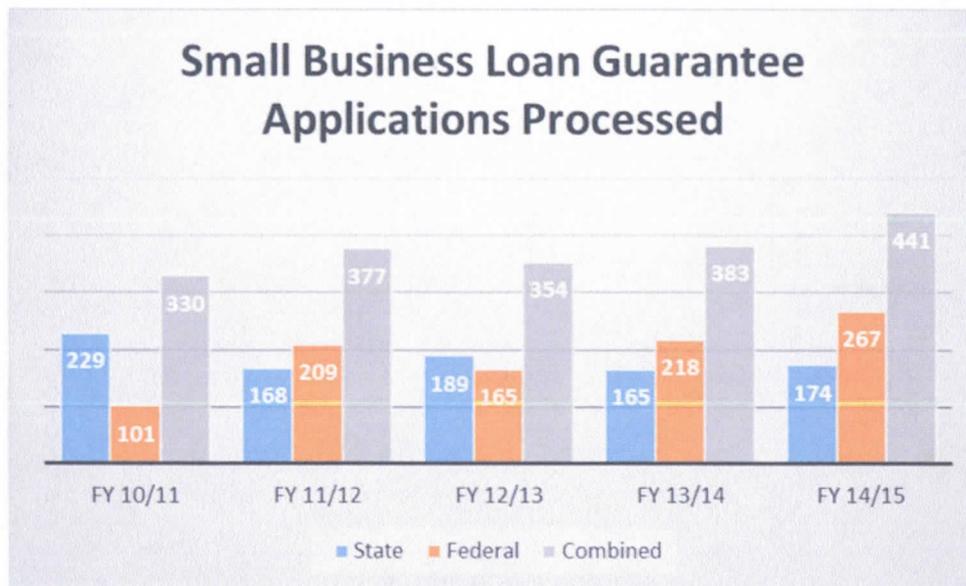


Figure 1

Analysis of Problem

Solving the Problem

The addition of the one SBLGP Staff Loan Officer will relieve the Chief Compliance Officer and Executive Director of their daily SBLGP duties and return these duties to the SSM II. It will also solve the issue of the mandated separation of duties required by the federally funded SSBCI Program. With two Staff Loan Officers processing applications it will allow the SSM II to resume reviewing and approving requests as suggested in the SSBCI National Standard for Compliance and Oversight. With poor previous audit results and monetary penalties from the Office of Inspector General, it is imperative the SBLGP be fully compliant in its program activity going forward. Increasing the SBLGP staff, compliance staff, and Fiscal staff will solve this problem.

Adverse Impacts

Since California received the largest allocation of SSBCI funds, \$168 million, amongst the 50 States and 7 Trust Territories, its success is held to a higher standard by the U.S Treasury. The adverse impact of not administering the fund properly has already been experienced by penalties received after an Office of Inspector General (OIG) audit conducted in 2012. IBank paid a \$133,250 penalty to the U.S. Treasury and had its SSBCI fund allocation reduced by almost \$85,000. The OIG published the report titled "Report Number: OIG-SBLF-12-003 STATE SMALL BUSINESS CREDIT INITIATIVE: California Needs to Improve Its Oversight of Programs Participating in the State Small Business Credit Initiative". This occurred due to the staff's lack of ability to create compliance controls and its misinterpretation of federal requirements related to its funds. At the time the staff consisted of a half-time retired annuitant and an AGPA. Not only did the SBLGP lose funding, it was on probation with the U S Treasury program for six months and created a heightened scrutiny of its ability to administer the program. This situation affected the lending community's ability to trust in the government program, as noticed in the 2012-13 decline in federal applications seen in Figure 1 above. It also resulted in the Administration's lack of trust in its ability to utilize the administrative cost funds allocated for the state's cost reimbursement to manage the program. A long term impact could be the inability to obtain future federal funding.

Effect on External Client and Stakeholders

The FDC's are non-profit organizations that were created by the state, for the state. In addition to the small business loans they help generate, they offer technical assistance to small businesses and a variety of mission driven programs that are not funded by the SBLGP. These organizations are well connected within their communities and provide much needed support. The FDCs help IBank leverage private capital at a rate of 1:5 with the loan guarantees they provide to lenders. The consequences of not staffing the SBLGP at a level in which it can adhere to the federal requirements of the program could lead to loss of federal funds and/or failure and shut-down of the program. If the program lost funding or shut down, it would put all nine FDCs out of business since they rely on cost reimbursements of the program as well as revenue from fees generated by the loans they issue the guarantee on. It could potentially put 36 direct private sector people out of work, as well as other consultants and vendors the FDCs utilize for the program. At present, the FDCs have complained that the SBLGP's inability to process the requests quickly has resulted in delayed fee payment from the lenders. Two FDCs disclosed they could not meet their payroll requirements in recent months due to IBank's slow-down in processing guarantee requests.

Community Lenders that use the program have benefited from obtaining guarantees on loans they might not have made in its absence. The lender's state and federal regulators scrutinize banks for making risky loans (which most loans to small businesses are), yet this risk is mitigated when the loan has a guarantee from the SBLGP. Lenders also receive Community Reinvestment Act credit for making small business loans, which helps improve their Community Reinvestment Act ratings with the regulators. The small businesses that obtain the loans benefit as well, by having access to capital they might not otherwise have been able to acquire. If the programs do not exist, or are not able to perform at acceptable levels, lenders that utilize the program could lose trust in the program, and consequently stop making loans to small businesses in need. This would negatively affect the lenders revenue stream and the small business ability to develop or expand. In a worst case scenario of program failure, the 3.6 million small businesses throughout California would no longer have the benefit available to obtain financing through these guarantee programs. Loss of access to capital for small businesses could have negative effects on California's economy as a whole.

Analysis of Problem

COMPLIANCE UNIT

Changes in the workload

Compliance is a new unit at IBank. The Chief Compliance Officer is responsible for monitoring and maintaining proper compliance over all divisions of IBank. Since the position is relatively new, criteria, policy and procedures need to be established. Compliance is vital to IBank in order to identify risk, design and implement controls, monitor and report the effectiveness of those controls, resolves business issues, interpret and enforce state and federal regulations, and advise internal and external parties of rules and controls.

Since the Compliance Officer was hired in August of 2014, the focus of compliance has been on the renovation of the SBLGP and the preparation for an audit conducted by the U.S. Treasury on its SBLGP federally funded program. The Compliance officer has not yet addressed the needs of IBank's direct loan unit, bond unit, or fiscal units. The SBLGP requirement of quarterly loan guarantee reviews are three months behind and the annual site visits as well as the mandatory annual presence at FDC board meetings are over two years behind. The unit is not able to keep up with mandatory quarterly meeting with the FDCs it works with, which are 7 months behind. Compliance reviews for the Direct Loans, Bond and Fiscal have not been done at all, and are technically one year behind.

Solving the problem

The addition of the one SBLGP Staff Loan Officer will relieve the Chief Compliance Officer position of its daily (non-compliance related) duties that accounts for approximately 50 percent of the workload. The addition of a Fiscal Unit Accountant Trainee will help remove the Chief Compliance Officer's responsibility of managing the accounting for the SBLGP. The addition of a Direct Loan Program SSM I, two ISRF Staff Loan Officers, two CLEEN Staff Loan Officers, and one Bond Staff Loan Officer, will allow those units to reduce the backlog and maintain a smooth workflow allowing those personnel to assist the compliance unit in developing and maintaining processes and procedures for compliance reviews in those units. The addition of one AGPA Compliance Associate will allow the Chief Compliance Officer to focus on program development and enforcement, stay up to date on state and federal regulations, and conduct training to outside agents, by handling the routine scheduled internal reviews and reports required to maintain successful compliance.

Adverse Impacts

Without additional staff in all units, the Compliance Unit will not be able to keep up with the present or developing demands of the programs. Failure to properly monitor the hundreds of millions of dollars in funds at IBank, and thousands of lending transactions, can result in violations such as misappropriation of funds, monetary and programmatic penalties for violations of state and federal statute and regulations, embezzlement, conspiracy, bribery, and fraud, just to name a few. In 2014, the Bond Unit missed a deadline to file information to the Electronic Municipal Market Access resulting in a penalty requiring IBank to publicly disclose they missed the deadline for the next five years. This could have been avoided had proper compliance procedures been in place. This type of occurrence could have an adverse effect when rating agencies are evaluating IBank's financial structure. Any such negative publicity tarnishes the reputation of IBank and the GO-Biz. It is imperative IBank maintain a spotless reputation. Proper compliance controls could have avoided those publicly embarrassing and damaging situations. If this proposal is not approved, the adverse impact could be additional negative audit findings, missed deadlines, penalties imposed on the department, loss of positive credit ratings, and loss of state and federal funds.

The addition of an AGPA to the Compliance Unit will help address the compliance issues in all IBank units and keep up with the demands of IBank's compliance unit. This position is needed even if the present programs stay *status quo* and no other staff is hired.

FISCAL

The Fiscal Unit at IBank has the responsibility to record, post, compile, and report financial information of the IBank in an accurate and timely manner for use by all stakeholders for the purpose of enhancing economic development in the State of California.

Fiscal records, reconciles, monitors, calculates, and reports on all IBank activities including conduit bond transactions, IBank revenue bond issuances, trustee bank activity, direct loan activity, cash and investments, loan servicing, program invoice processing, and IBank administration. At present, the Fiscal Unit supports all IBank units except the Small Business Finance Center. It is the intent to transfer the accounting responsibilities

Analysis of Problem

of the SBLGP to the Fiscal Unit when it has the capacity to learn and maintain its processes. The staff consists of the Fiscal Manager, two permanent Sr. Accounting Officers, and two part-time student assistants. In order to keep up with the demands of the department, including the transfer of the SBLGP accounting, one Account Trainee is requested. This position is needed regardless of other staff positions requested, and even if IBank program activity remains *status quo*. **Changes in the workload**

The increase in program activity as described in the Direct Loan Programs, the Bond Programs and the Small Business Finance Center Programs result in the increased workload for the Fiscal Unit. As those programs continue to escalate, so does monitoring and controlling the monetary activities. The Fiscal unit spent the last year catching up on previous years' workload that had fallen behind due to inadequate staffing numbers.

Solving the Problem

The addition of one Accountant Trainee will allow the Fiscal Unit to incorporate the SBLGP accounting into Fiscal and keep up with the demands of the growing programs.

The Fiscal unit collects a variety of fees from loans and bonds as well as collects the principal and interest payments of loan debt repayment. These clients have the benefit of being paid for their services in a timely manner and having their payments collected, recorded and monitored by professionals.

Without proper staffing, the fiscal unit could fall behind on their work, leading to unpaid bills that incur late charges and potential loss of service. If loan debt servicing is not administered in a timely manner it could lead to penalties and adverse credit ratings to the borrower.

LEGAL AND LEGISLATIVE UNIT

The legal and legislative unit of IBank conduct time sensitive reviews for all of its programs which consist of all stages of loan financing, legal document negotiations, loan document review, bond financing legal documents, as well as legislation research, analysis and tracking. The legal staff is heavily involved in all aspects of the bond issuance process.

Currently the staff consists of one General Counsel and two Attorney III positions. This proposal requests the addition of one Attorney I position in order to keep up with the demands of the departments existing and developing programs.

Changes in the workload

The increase in program activity as described in the Direct Loan Programs, the Bond Programs and the Small Business Finance Center Programs result in the increased workload for the Legal Unit. As those programs continue to escalate, so does the legal research and oversight activities. The Legal unit must conduct an analysis on each direct loan and each bond document prior to its approval, and again before closing. Although the Legal unit does not review each SBLGP loan, it assists with program redevelopment and the Directives and Requirements. In addition, the Legal unit conducts legal analysis on developing programs such as the CLEEN Center criteria, the new ISRF Criteria, and the developing Export finance program. Whether developing programs ever come to fruition, the legal staff must perform its due diligence. As IBank continues to expand and develop new programs, the legal unit workload increases.

The Legal unit is heavily involved in the day-to-day activities of IBank's Revenue Bond Issuance. IBank anticipates doubling that workload next year, creating an excess of work in the legal unit.

Solving the Problem

The addition of one Attorney I will allow the Legal and Legislative Unit to keep up with the demands of the growing programs. **Adverse Impacts**

Without additional staff in the Legal and Legislative Unit it will not be able to keep up with the present or developing demands of the programs. Failure to properly research, analyze, and offer legal advice on program documents can result in costly mistakes with adverse legal ramifications to IBank and its client. Without additional staff the Legal Unit may not be able to produce results in a timely manner, causing loans and bonds to be delayed. Delays, missed deadlines, and poor servicing may create a negative effect when Rating

Analysis of Problem

Agencies are evaluating IBank's financial structure. Any such negative publicity tarnishes the reputation of IBank and the GO-Biz, creating mistrust of government programs.

Effect on External Client and Stakeholders

The Legal and Legislative Unit supports all IBank programs and operations. As such, the work performed by IBank's attorneys touches a broad array of external clientele and stakeholders including charitable organizations, organizations that promote social benefits, cultural facilities, municipalities, universities, schools and hospitals, government and public agencies, manufacturing facilities, and small businesses that apply to IBank for financing. The bond markets require such "Issuer's counsel" opinion as a matter of industry practice and bonds would not be sold without it. As such, those non-profit organizations, small businesses and State and local government agencies that rely on IBank bond issuance to finance their capital improvement projects or programs would have to seek such funding elsewhere.

Similarly, local governments and non-profit agencies that obtain financing in the form of direct loans under IBank's ISRF Program and CLEEN Center rely heavily on the work done by IBank attorneys to properly structure the proposed financings in a manner that would not violate State constitutional and other legal restrictions. IBank attorneys also conduct legal due diligence on proposed loans which is essential to safeguarding IBank and its funds from various risks.

Bondholders who purchase bonds that fund IBank programs (i.e., ISRF and CLEEN Programs) as well as rating agencies, rely on the work done by IBank attorneys to ensure that the loans made with such bond funds are done in a legally sound manner that complies with applicable federal tax and securities laws as well as with the requirements associated with the documents governing such program bonds. Without such work, rating agencies and bondholders may not have sufficient confidence in the integrity of IBank program bonds and this could lead to a reduction in ratings on the bonds, higher borrower costs and difficulty selling such bonds.

Programs, such as the ISRF and CLEEN Programs that rely on the proceeds of program bonds for funding, would be virtually crippled by the absence of such funds. Other stakeholders include members of the public and of the public finance community who benefit from the work done by IBank attorneys to ensure compliance with applicable Open Government laws such as the Bagley-Keene Open Meeting Act and the California Public Records Act. IBank attorneys work diligently to ensure that IBank Board meetings and IBank operations adhere to the applicable Open Government Requirements and the aforementioned stakeholders would be ill served by any deficiencies in that regard.

Finally, members of the Legislature and their staff rely on the work done by IBank attorneys in providing information and technical advice in connection with the IBank Act and proposed legislation relating to IBank and to areas, such as public finance, that touch on IBank's interests and draw on IBank's public finance expertise. Without the information and assistance provided by IBank attorneys, such Legislators and legislative staff may expend time and energy on legislation that misses the mark or fail to recognize opportunities already provided by the IBank Act and existing IBank programs.

Issues Related to All IBank Units

The solution to IBank's continued growth and development of new programs to support California's growing need for low cost financing is to increase staff in order to continue to administer an efficient and effective Agency. The timing of the request is overdue given the rapid increase in public demand as California's economy begins to improve leaves IBank staff struggling to keep up. IBank cannot delay the progression of its lending, or have a loss in momentum, as this could tarnish its good reputation and cause an opposite effect, or a loss in confidence of the client it serves. Since IBank generates revenue on each loan and bond to support its administrative expenses, it is the best use of resources.

The public need for this request is evident in the increase in applications for loan requests in all IBank programs. In order to meet the public demand, IBank programs must progress, and increasing staff is the best way to accommodate the demand.

Increasing IBank staff accomplishes the short term goal of getting caught up with existing workload. The long term goal is to create a microeconomic economy of scales that creates cost advantages IBank can obtain. With additional staff, IBank can increase output, or scale of operation, and decrease the cost per unit by spreading

Analysis of Problem

out fixed costs over more units. The new resources allow for efficient and effective administration of programs, as well as growth that benefits the people of California.

There are no legal implications to this proposal. No legislation need be enacted, amended or repealed. No action is needed from any other government agency.

The state should assume responsibility for this change as it benefits the people of California, specifically municipalities, universities, schools, hospitals, charitable organizations, organizations that promote social benefits, cultural facilities, state and local government and public agencies, manufacturing facilities, community banks, FDC's, and small businesses in California. Providing low cost financing with a variety of programs to a vast clientele assists in the Governor's goals of stimulating the economy, while reaching emissions and gas reduction goals, with minimal cost to the state.

TECHNICAL RESOURCE SUPPORT CENTER

IBank is in need of an additional technical resource to fulfill the needs of its Business Units/Programs. A Staff Programmer Analyst (SPA) will provide IBank technical support to existing and planned projects and programs. Without this additional resource, these projects and programs will lack technical support and will not be updated until departmental IT resources are available. Historically, given the demands on the departmental IT resources for various high priority projects and programs, IT has not been able to provide IBank with the technical resources it needs and IBank does not currently have a dedicated technical resource to support IBank's information technology projects and programs. Departmental IT staff currently support the California Business Portal, California Film and Television Tax Credit Application, California Made Application, California Compete Tax Credit Application, CalGold, GO-Biz website and occasionally provides IBank with technical support as time permits.

The SPA will lead the maintenance and support of the newly upgraded IBank website. The current IBank website is several versions behind the State of California standard template. Once the IBank website upgrade is completed, the SPA will be responsible for maintaining content, graphic design, adding new pages, section 508 Accessibility compliance, and troubleshooting any technical issues for the website.

The SPA will be a member of the technical team tasked to analyze, design, develop, test, implement and support new I-Bank and GO-Biz software applications. The SPA's primary responsibility and priority is to support the IBank website and all IBank information technology needs. The SPA will also provide support to the GO-Biz website (business.ca.gov, the California Business Portal (businessportal.ca.gov, soon to released California Made application (camade.ca.gov), and the upcoming GO-Biz CRM system when possible.

E. Outcomes and Accountability *(Provide summary of expected outcomes associated with Budget Request and provide the projected workload metrics that reflect how this proposal improves the metrics outlines in the Background/History Section.)*

Improvement Measures

Improvements will be measured by the number of inquiries and applications processed and completed. As a consequence of the financings closed in the loan and bond units, fees collected and interest earning revenue for IBank will be evidence of improvement.

In the SBLGP, the improvement measurement will be the speed of execution of federal funds; expected by March 31, 2017. Once the federal funds are expended, the funds become the state's property which will be used to grow the program to support even more California small businesses.

Controls

To keep growth of the programs at a reasonable level, IBank must limit its growth to a 5 percent increase in the number of applications per year for direct loans and bond, a 12 percent increase in applications per year for SBLGP, a 10 percent increase per year in the CLEEN program, and issue no more than two revenue bonds per year. At these rates, IBank will be able to increase productivity and revenue with the increased staff.

Reports

IBank produces Annual Activity Reports to the Legislature for all of its programs each fiscal year. In addition IBank produces a fiscal year end Comprehensive Annual Financial Report that reveals the net position of IBank funds and the net increase over the previous year and includes an independent auditors report. As

Analysis of Problem

indicated in IBank's Comprehensive Annual Financial Report for fiscal year 2014, "The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the California Infrastructure and Economic Development Bank for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the third consecutive year that the IBank has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements."

Bond rating reports are continuously prepared and reported to the Board of Directors and published on IBank's website. The Board of Directors is given a monthly deposit transaction report for the SBLGP and a quarterly investment report for all IBank programs. The SBLGP also submits quarterly obligated and expended fund reports and annual progress reports to the U.S. Treasury.

Projected Outcomes

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
State Small Business Loan Guarantees processed	174	191	534	587	646	710
Federal Small Business Loan Guarantees processed	267	294	0	0	0	0
Infrastructure Loan Revolving Fund (ISRF) Loan Inquiries	140	147	154	162	170	179
Infrastructure Loan Revolving Fund (ISRF) Loans Made	14	15	15	16	17	18
Bond Unit Applications Accepted	20	21	22	23	24	26
Bond Unit Bonds Sold	15	16	17	17	18	19
Revenue Bonds Issued	2	2	2	2	2	2
CLEEN Center Inquiries	50	55	61	67	73	81
CLEEN Center Applications	20	22	24	27	29	32
*Develop, maintain and support the IBank website including; programming, content, graphic design, search and analytics (Google analytics) functions	800	800	800	800	800	800
*Develop, upgrade, and maintain IBank DNN Evoq content, modules, and themes.	600	600	600	600	600	600
*Function as a technical team member and provide technical expertise to business teams for the ongoing design of the IBank Website.	300	300	300	300	300	300
*Function as a technical team member and provide technical expertise to business teams for the ongoing design of the GO-Biz website.	100	100	100	100	100	100
*Develop and maintain database programming (SQL Server 2008 R2 and SQL Server 2014)	100	100	100	100	100	100
*Insure that current accessibility and information security standards are implemented within website design.	100	100	100	100	100	100
*Participate in technical teams during problem isolation, diagnosis, and repair providing subject matter knowledge in issue resolution.	200	200	200	200	200	200

*numbers in hours

Analysis of Problem

F. Analysis of All Feasible Alternatives

1. Phase in Staff at a Slower Pace

IBank could phase in staff at a slower pace than this proposal suggests. It could focus on the short term and immediate need of hiring to staff the new CLEEN Loans Unit. This would consist of one Senior Loan Officer (supervisor) SSM II and two Staff Loan Officers.

2. Status Quo

IBank could continue to operate in its current state.

3. The recommended Proposal

To ensure appropriate implementation and administration of the numerous existing, new, and expanding programs, IBank also requests the establishment of eleven ongoing (11) positions: one (1) Senior Loan Officer (Supervisory) SSM II, six (6) Staff Loan Officer (Specialist), one (1) AGPA Compliance Associate, one (1) Attorney I, one (1) Accountant Trainee, and one (1) Staff Programmer Analyst (Specialist)

1. Automate Our Systems

Rather than hiring staff, IBank could automate its application system to take the burden of analysis out of the programs control.

4. Implementation Plan

ALTERNATIVES	PROS	CONS
#1 Phase in slower Costs:	<ul style="list-style-type: none"> • Coverage for the new CLEEN Center Unit • Additional revenue to the IBank • Support State's goals 	<ul style="list-style-type: none"> • Staff remains behind on work • No support staff for increased workloads • No growth in other IBank Units • No Export Financing Program • Risk of mistakes due to backlog • Risk of non-compliance • Risk of loss of reputation • Risk of loss of funds • Cannot separate duties as mandated and remain out of compliance
#2 Status Quo Costs: None	<ul style="list-style-type: none"> • No additional Cost • No staff to train 	<ul style="list-style-type: none"> • Staff remains behind on work • No support staff for increased workloads • No growth in other IBank Units • Will have to abandon CLEEN Program or Reduce productivity on another Unit to cover CLEEN staffing • No Export Financing Program • Risk of mistakes due to backlog • Risk of non-compliance • Risk of loss of reputation • Risk of loss of funds • Cannot separate duties as mandated and remain out of compliance
#3 Recommended Proposal Costs:	<ul style="list-style-type: none"> • Staff catches up on backlog • Support for increased workloads • Support California Infrastructure needs • Growth in all IBank Units • Increased Revenue for IBank 	<ul style="list-style-type: none"> • Increased initial costs of personnel, equipment and supplies • New staff training required • Revitalization could create an over-subscription to programs

Analysis of Problem

	<ul style="list-style-type: none">• CLEEN Program dedicated skilled staff• Begin Export Financing Program• Support California Small Business needs• Reduce mistakes• Reduced risk of non-compliance• Maintain good reputation• Reduced risk of loss of funds• Create separate duties as mandated and become compliance	
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There are no vacant positions at IBank to redirect or re-classify. There is no known high-level support or opposition this request or its alternatives.

5. **Supplemental Information** No special resources are needed to support this proposal.

6. Recommendation

To ensure appropriate implementation and administration of the present and numerous new and expanding programs, IBank requests the establishment of eleven ongoing positions: one Senior Loan Officer (Supervisor) SSM II, six Staff Loan Officers, one AGPA Compliance Associate, one Attorney I, one Accountant Trainee, and one Staff Programmer Analyst (Specialist).

The positions are requested in order to keep up with the demands for all loan related units within IBank. Workload is currently measured by the number of inquiries received and applications processed. Inquiries start the application process and can involve many hours of conversation and preparation for an official application. Not all inquiries and applications result in a reportable product, yet the time expended on each is similar. The measures reported to the legislature are the final results of those applications which is measured in units and dollars.

The Direct Loan Unit of IBank has seen a workload increase of 49 percent per year over the last three years. The Bond Unit has experienced an average increase of 83 percent over the last three years, and the Small Business Finance Center's workload began in 2011, then climbed steadily to a 21 percent increase this year. As the programs expand the workload increases on the production side of IBank, it innately creates a heavier workload for the support units.

The most reasonable proposal presented is option #3, to approve this request as presented.

Adverse Effects of Denial

If this proposal is not approved, the adverse impact could be additional negative audit findings, missed deadlines, penalties imposed on the unit, loss of positive credit ratings, and loss of state and federal funds. Without additional staff all units of IBank will not be able to keep up with the present or developing demands of the public. It is IBank's responsibility to serve the communities throughout California as it continues to face significant challenges in addressing needed repairs and retrofits to their existing infrastructure. As the State's infrastructure continues to require attention, IBank must continue to advance its programs based on the needs of the economy, public agency requirements and the goals and objectives of the State.

Failure to properly administer the hundreds of millions of dollars in funds due to inadequate staffing at IBank can result in violations such as misappropriation of funds, monetary and programmatic penalties for violations of State and Federal statute and regulations, embezzlement, conspiracy, bribery, and fraud, just to name a few. The inability to stay current with daily work tasks, if not staffed properly, can result in loss of funds to the client and the state, as well as legal implications.

BCP Fiscal Detail Sheet

BCP Title: CA Infrastructure and Economic Development Bank Workload

DP Name: 0509-001-BCP-DP-2016-GB

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	11.0	11.0	11.0	11.0	11.0
Total Positions	0.0	11.0	11.0	11.0	11.0	11.0
Salaries and Wages						
Earnings - Permanent	0	737	737	737	737	737
Total Salaries and Wages	\$0	\$737	\$737	\$737	\$737	\$737
Total Staff Benefits	0	277	277	277	277	277
Total Personal Services	\$0	\$1,014	\$1,014	\$1,014	\$1,014	\$1,014
Operating Expenses and Equipment						
5324 - Facilities Operation	0	150	0	0	0	0
5368 - Non-Capital Asset Purchases - Equipment	0	325	253	253	253	253
Total Operating Expenses and Equipment	\$0	\$475	\$253	\$253	\$253	\$253
Total Budget Request	\$0	\$1,489	\$1,267	\$1,267	\$1,267	\$1,267

Fund Summary

Fund Source - State Operations						
0649 - California Infrastructure and Economic Development Bank Fund	0	1,489	1,267	1,267	1,267	1,267
Total State Operations Expenditures	\$0	\$1,489	\$1,267	\$1,267	\$1,267	\$1,267
Total All Funds	\$0	\$1,489	\$1,267	\$1,267	\$1,267	\$1,267

Program Summary

Program Funding						
0235028 - California Infrastructure and Economic Development Bank	0	1,489	1,267	1,267	1,267	1,267
Total All Programs	\$0	\$1,489	\$1,267	\$1,267	\$1,267	\$1,267

Personal Services Details

Positions	Salary Information								
	Min	Mid	Max	CY	BY	BY+1	BY+2	BY+3	BY+4
1581 - Staff Programmer Analyst (Spec)				0.0	1.0	1.0	1.0	1.0	1.0
4179 - Accountant Trainee				0.0	1.0	1.0	1.0	1.0	1.0
5393 - Assoc Govtl Program Analyst				0.0	1.0	1.0	1.0	1.0	1.0
5778 - Atty				0.0	1.0	1.0	1.0	1.0	1.0
7481 - Staff Loan Officer (Spec)				0.0	6.0	6.0	6.0	6.0	6.0
7484 - Sr Loan Officer (Supvr)				0.0	1.0	1.0	1.0	1.0	1.0
Total Positions				0.0	11.0	11.0	11.0	11.0	11.0
SALARIES AND WAGES	CY	BY	BY+1	BY+2	BY+3	BY+4			
1581 - Staff Programmer Analyst (Spec)	0	70	70	70	70	70			
4179 - Accountant Trainee	0	45	45	45	45	45			
5393 - Assoc Govtl Program Analyst	0	59	59	59	59	59			
5778 - Atty	0	65	65	65	65	65			
7481 - Staff Loan Officer (Spec)	0	421	421	421	421	421			
7484 - Sr Loan Officer (Supvr)	0	77	77	77	77	77			
Total Salaries and Wages	\$0	\$737	\$737	\$737	\$737	\$737			
STAFF BENEFITS									
5150900 - Staff Benefits - Other	0	277	277	277	277	277			
Total Staff Benefits	\$0	\$277	\$277	\$277	\$277	\$277			
Total Personal Services	\$0	\$1,014	\$1,014	\$1,014	\$1,014	\$1,014			